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SUBJECT: LEBANON: GOL APPROVES NEW EPCA (ECONOMIC WEEK IN REVIEW, NOVEMBER 3 - 9, 2008)

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GOL APPROVES NEW EPCA;
DISCUSSES 2009 BUDGET AND DEVELOPMENT ISSUES

¶11. (SBU) On November 3, the cabinet approved the signing of the IMF's Emergency Post Conflict Assistance (EPCA) II program, and informed the IMF of this decision. During the cabinet session, Chatah also gave a presentation of the 2009 budget proposal, which will be discussed at a separate session, Chatah's office told us.

¶12. (U) On November 6, the cabinet discussed the "National Physical Master Plan of the Lebanese Territory" presented by the Council for Development and Reconstruction (CDR), an autonomous entity under the PM's office in charge of large projects. The Master Plan includes major public infrastructure projects taking into consideration sustainable development and environmental protection. The Master plan, which was completed in 2005, has been waiting since then for cabinet's endorsement. At the November 6 meeting, the cabinet formed two committees, one headed by Deputy PM Abu Jamra to submit recommendations regarding the Master Plan before the end of the month, and the other committee headed by the PM to look at current projects under implementation by the CDR and other government institutions, a senior source at CDR told us.

DOLLARIZATION OF DEPOSITS
CONTINUES TO DECLINE

¶13. (U) During his monthly meeting with the Association of Banks in Lebanon on November 4, Central Bank of Lebanon (CBL) Governor Riad Salameh said the dollarization of deposits currently stood at 71 percent, compared to 73.5 percent in September. Salameh said that this was a clear testimony to the confidence in the Lebanese financial and monetary system. Salameh also welcomed the start of the use of the International Bank Account Number (IBAN) -- an

international standard for identifying bank accounts across national borders -- by Lebanese banks.

LEBANON RECEIVES WORLD BANK
GRANT FOR SOCIAL REFORM

¶4. (U) Press reported November 6 on the signing of an agreement between Finance Minister Mohammad Chatah and the World Bank (WB) representative in Lebanon Hedi Larbi of a six million dollar grant for social sector reform, part of the WB's Paris III pledges. The grant will be allocated as follows: \$2.5 million for the National Social Security Fund, one million for the Ministry of Education, \$1.25 million for the Ministry of Social Affairs, \$740,000 for the Ministry of Public Health; while the remaining \$510,000 for a committee in charge of supervising the implementation of the projects, based at the PM's office.

UNDP LAUNCHES ENERGY
EFFICIENCY PROJECT

¶5. (U) On November 4, the UNDP launched the implementation of its "Community Energy Efficiency and Renewable Energy Demonstration Project" (CEDRO), in cooperation with the Ministries of Energy and Water, Finance, and the Council for Development and Reconstruction (CDR) and funded by a \$9.7 million grant from the Spanish Government. In its first phase, the project will bring more energy efficient lighting and water-heating systems, as well as better insulation, to pre-selected public schools, hospitals, municipalities, and social centers across Lebanon by June 2009. In the next phase, the number of establishments will be increased by

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2011, leading to the development of a national sustainable energy strategy.

CASH TRANSFERS UP BY 38 PERCENT
IN FIRST HALF OF 2008

¶6. (U) According to the Central Bank of Lebanon (CBL), electronic cash transactions to and from Lebanon totaled \$660.2 million in the first half of 2008, or a 38.3 percent increase over the same period last year. The UAE was the main source of incoming transfers, with \$104.3 million or 22.5 percent of total transfers, followed by Saudi Arabia (16.2 percent), Qatar (nine percent), Australia (6.8 percent), and the U.S. (6.5 percent). The Philippines was the main destination of outward transfers from Lebanon with \$28.9 million or 14.7 percent of the total, followed by Ethiopia (12.2 percent), Egypt (10.8 percent), Sri Lanka (7.6 percent), and India (4.2 percent).

LEBANON IMPROVES SLIGHTLY
IN BASIC CAPABILITIES INDEX

¶7. (U) The NGO Social Watch's 2008 Basic Capabilities Index ranked Lebanon 80 out of 185 surveyed countries and 8 out of 17 countries in the MENA region in terms of social development and basic well-being levels, a slight improvement compared to last year. Social Watch noted that although Lebanon is a middle-income country, one quarter of its population is considered poor, while five percent live in extreme poverty, and almost half the population is not covered by health insurance. Social Watch also noted large regional disparities in poverty levels throughout the country, with areas like the Bekaa, south and north Lebanon, and Nabatieh suffering the most.

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